EXHIBIT 4
DATE 1.23.07
HB ——

Legislative Fiscal Division

Coal Severance Tax Distribution

REASONS FOR HISTORICAL CHANGES:

- Fiscal 1980 – House Bill 427 (Chapter 694) distributed 0.75 percent for the first three quarters of fiscal 1980 and 0.5 percent thereafter to the Library Commission. The general fund percentage distribution was decreased by the same amount.
- Fiscal 1983 – Senate Bill 185 (Chapter 303) revised the exemption for the first 50,000 tons produced, but made the producer liable for tax on all coal produced in excess of 20,000 tons if more than 50,000 tons were produced.
  Fiscal 1983 – House Bill 706 (Chapter 377) revised the definition of "contract sales price" to exempt certain royalties based on a phased-down schedule of royalties to include.
- Fiscal 1984 - Beginning in the 1985 biennium, production on Crow Indian land was no longer taxed due to a U.S. Supreme Court ruling. Crow tribe payments had been deposited in an escrow account.
- Fiscal 1985 – House Bill 607 (Chapter 636) provided a 33-1/3 percent production incentive tax credit on incremental production for calendar years 1985 and 1986.
- Fiscal 1986 – House Bill 919 (Chapter 715) distributed 2.0 percent to the highway reconstruction trust and decreased the percentage distributed to the: 1) education trust from 10.0 to 6.93; 2) local impact account from 8.75 to 6.07; and 3) alternative energy account from 2.25 to 1.25. The general fund percentage distribution was increased from 19.0 to 23.75.
- Fiscal 1987 & 1988 – House Bill 252 (Chapter 608) lowered the tax rate based on a percentage of value and provided for a contingent lower tax rate if fiscal year 1988 production exceeded 32.3 million tons and extended incremental production tax credits.
- Fiscal 1988 – Senate Bill 228 (Chapter 662) distributed 0.76 percent to the Montana Growth Through Agriculture program and increased other distributions by a net 0.266 percent. The general fund distribution was decreased accordingly.
- Fiscal 1989 & 1990 – House Bill 4 (Chapter 37) reduced the number of tax rates to two based on BTUs: 1) 10 percent – less than 7,000 BTUs; and 2) 15 percent – 7,000 and over BTUs.
- Fiscal 1990 – House Bill 526 (Chapter 626) eliminated the 1.71 distribution to the alternative energy and energy conservation research and development account and increased the general fund distribution by the same amount.
- Fiscal 1993 – House Bill 10 (Chapter 16) enacted in the January 1992 special session, eliminated the 12 percent distribution to the highways state special revenue account and increased the general fund distribution by the same amount only for fiscal 1993. In July 1992, the legislature in special session implemented a 7% general fund stabilization tax (House Bill 44, Chapter 15), the proceeds from which were deposited to the general fund. The tax applied to production in fiscal 1993.
- Fiscal 1994 - House Bill 688 (Chapter 580) added a tax rate of 7.5 percent for extended depth auger mining (terminates end of fiscal 1997).
- Fiscal 1995 – House Bill 343 (Chapter 318) provided a tax exemption on 2.0 million tons of coal produced for a coal enhancement facility (terminates end of calendar 2005).
- Fiscal 1996 – Senate Bill 83 (Chapter 509) eliminated the 11.4 percent distribution to the state equalization account and increased the distribution to the general fund by the same amount.
- Fiscal 1998 – House Bill 5 (Chapter 469) distributed 1.3 percent to the long-range building fund to pay debt service on bonds used to purchase Virginian City and Nevada City. For the 1999 biennium only, House Bill 5: 1) eliminated the 0.63 percent distribution to the cultural and aesthetic trust; and 2) distributed 0.87 percent for cultural and aesthetic projects. The general fund distribution was decreased accordingly.
- Fiscal 2000 – House Bill 69 (Chapter 389) eliminated the 1.3 percent distribution to the long-range building fund to pay debt service on bonds used to purchase Virginian City and Nevada City. The general fund distribution was increased accordingly.
- Fiscal 2001 – Senate Bill 134 (Chapter 399) reduced the tax to 1/3 of the regular rate for coal produced for in-state electrical generation facilities constructed between January 1, 2002 and December 31, 2007.
- Fiscal 2003 – Only for fiscal year 2003, House Bill 10 (Chapter 12) from the August 2002 special session: 1) decreased the distribution to the long-range building program from 12 to 10 percent; 2) decreased the distribution to the shared account from 8.36 to 6.01 percent; 3) eliminated the 1.27 percent distribution for park acquisition; and 4) eliminated the 0.63 percent distribution to cultural and aesthetic trust. The general fund distribution was increased accordingly.
- Fiscal 2005 – Senate Bill 480 (Chapter 415) eliminated the tax incentive for in-state electrical production enacted by Senate Bill 134 in fiscal 2001. House Bill 482 (Chapter 589) increased the distribution to the shared account from 7.75 percent to 8.36 percent. Coordination with House Bill 758 (Chapter 603) set the shared account distribution at 5.46 percent. House Bill 758 also created a new 2.73 percent distribution to the oil, gas, and coal natural resource account and statutorily appropriated the revenue to the Department of Revenue to distribute to counties, cities and towns.